



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.07

Voluntary Report - Public Distribution

Date: 10/01/2007

GAIN Report Number: BO7002

Belarus

Wine

Wine Trade and Consumption Habits

2007

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Report Highlights:

The most popular alcoholic drinks in Belarus have traditionally been vodka, vodka-based beverages, beer and fortified berry and fruit wine. However, consumption of grape wine is growing and quality imported grape wine can now be found in almost every store that sells alcohol.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Moscow ATO [RS4]
[BO]

Market Overview

* All figures are based on official statistics reports of the Belarus Republic government.

The Republic of Belarus is 207,600 square kilometers (slightly smaller than the state of Kansas) with a population of 9.8 million of which 71.5% live in urban areas. Nearly 1.78 million people live in the city of Minsk, the capital of Belarus, where the major political, economical and industrial entities are situated. Minsk has a geographically central location within the country and major trade routes including import/export operations pass through the city.

Belarus borders the Russian Federation, Poland, Ukraine, Lithuania and Latvia and the majority of its international trade is made with or through these countries. According to official statistics, international trade in Belarus from January – November 2006 exceeded \$41.5 billion USD. That was 28.3% higher than the same period in 2005. The main trading partners of Belarus (as a percentage of total trade) are: Russian Federation – 47.4%, Netherlands – 8.8%, Germany – 5.8%, Poland – 4.3%, Great Britain – 3.9%, China – 2.3%, United States – 1.7%, Italy – 1/6% and Lithuania – 1.4%. Sixty percent of all goods imported to Belarus are of Russian origin. Imports grew 33.5% in 2006.

Trade of retail products is also growing. In 2006 it reached 31 trillion Belarus Rubles (approximately \$14.42 billion USD) - 17.7% growth from 2005. The fastest growing areas were in Minsk Oblast - 25.7%, Mogilev Oblast - 24.2%, Vitebsk Oblast - 22.4% and Minsk city – 22.5%. Non-food items trade is growing faster (22.3%) than food trade (13.8%). Food trade made up 53% of all retail trade in 2006. Local products remain 86% of the total food trade volume.

Most of the local retail transactions - including food trade - is conducted through Soviet-style department stores, small stores and open markets, but modern retail methods are slowly appearing. The first two hypermarket stores were built in the outskirts of Minsk in 2006. Alcoholic beverages are usually sold in special departments within regular food stores. Several large local producers of alcoholic beverages have their own boutiques where they sell their product exclusively.

Sales of the HRI sector in 2006 were 1,570.8 billion Belarus Rubles (\$730 million USD) – 16% more than in 2005.

Alcoholic Beverages Import and Trade

The current per capita alcohol consumption in Belarus is 10.6 liters per person/year. Eight liters per person/year is at “critical level” determined by the Worldwide Health Protection Organization. The Belarus government is developing campaigns to lower the consumption of alcoholic beverages and made this a priority in the new federal development plan. As a consequence, the number of trade barriers for alcohol trade is relatively high.

Only companies with membership to the Belarus Republican Union of Cooperative Societies are entitled to participate in production, importation, storage and wholesale trade of potable alcohol. In addition, each operation with alcohol products requires special licensing. The license for importing alcoholic beverages is issued by the Ministry of Trade, for wholesale trade by Oblast or Minsk Executive Committees and for retail trade and storage by local Executive or Administrative Organs. The Belarusian government also determines minimum and maximum price levels for each type of alcoholic beverages.

Belarusian government officials establish yearly quotas for alcohol production and importation and arranges tender among the companies that are interested in importing

alcohol every year. Thirty-four companies won tenders and received licenses to import alcohol in 2007. For a complete list of companies, please contact RK Marketing at +7-495-729-3080 or office@rkmarketing.ru.

Alcohol quotas for 2007 are the following:

- 1 Production
 - 1.1 Grape wine - 4.406 million deciliters (7.6% increase from 2006)
 - 1.2 Sparkling wine – 1.06 million deciliters
 - 1.3 Berry and fruit wines - 25.767 million deciliters
 - 1.4 Vodka and vodka-based beverages - 11.525 mil deciliters (4.2% increase from 2006)
 - 1.5 Brandy - 140 thousand deciliters (1.4% increase from 2006)
 - 1.6 Cognac - 109 thousand deciliters (11.2% increase from 2006)
 - 1.7 Cognac beverages - 5 thousand deciliters (half of 2006)
- 2 Import
 - 2.1 Grape wine - 800 thousand deciliters
 - 2.2 Sparkling wine - 40 thousand deciliters
 - 2.3 Beer - 100 thousand deciliters
 - 2.4 Cognac alcohol - 95 thousand deciliters
 - 2.5 Cognac – 233 thousand deciliters
 - 2.6 Brandy - 7 thousand deciliters
 - 2.7 Vodka - 15 thousand deciliters
 - 2.8 Whiskey - 11 thousand deciliters
 - 2.9 Rum - 2 thousand deciliters
 - 2.10 Gin - 2 thousand deciliters
 - 2.11 Liqueurs - 10 thousand deciliters
 - 2.12 Wine materials – 5.4 million deciliters
 - 2.13 Ethyl alcohol - 300 thousand deciliters

Belarus aims to limit imports of beverages that are being produced locally. The government is also attempting to replace the consumption of strong and inexpensive beverages with those that have lower alcohol content such as fortified cheap berry and fruit wines for grape wines.

There are several wine processing plants in Belarus but grapes are not grown within the country in sufficient industrial quantities so all raw materials for local wine production are imported. Wine materials are imported from Moldova (which dominates the market), Georgia, Bulgaria and other European countries. Moldova also dominates the market of imported wines. In 2006 Belarus imported 34.9 million liters of wine and wine materials from Moldova valued at \$36.5 million USD. Other countries that supply wine to Belarus are: Russian Federation, Georgia, Ukraine, Bulgaria, Hungary, Italy, France and Germany. In general these are inexpensive products.

Consumption Trends and Habits

Grape wine consumption is only recently being developed in Belarus. The majority of the local population prefers to drink cheaper beverages with higher alcohol content. The most popular alcoholic drinks are vodka, vodka-based beverages, fortified berry and fruit wine and beer. This is a result of low consumer incomes as well as tradition. In short, Belarusians prefer to maximize the effect of drinking alcohol. Vodka and homemade berry and fruit wines were available and affordable to the general population in the Soviet Union. Belarusians with average and above average incomes prefer to drink strong alcoholic beverages such as whiskey, gin or rum rather than higher quality wine. This tradition is changing slowly and currently grape wines can be found in almost every store that sells

alcohol. At the same time the variety and quality of the grape wines sold in most stores is limited. In general there are not more than 5-10 imported grape wine varieties even in large stores. Locally bottled wines produced from imported wine materials are often mixed in with imported product. In addition, local wine bottlers usually put unclear information on the bottle labels.

The price range for different types of retail wines is:

- locally produced berry and fruit fortified wines (the majority of wines in any store): 4,000 – 8,000 Belarus Rubles (\$1.90 - \$3.70 USD)
- locally bottled grape wines produced from imported wine materials: 6,000 – 12,000 Belarus Rubles (\$2.80 - \$5.60 USD)
- imported grape wine (mainly Moldovan or Georgian origin but also including a few bottles of lower end European products) – 11,000 – 32,000 Belarus Rubles (\$5.10 - \$14.90 USD)

Imported wine of better quality can be found in upscale restaurants. The price range is much wider – 22,000 – 110,000 Belarus Rubles (\$10.20 - \$51.20 USD), but wine lists are rather short, usually including 3-7 items while the list of strong alcoholic beverages is several times longer. In medium and inexpensive cafes and restaurants only locally produced wines are sold.